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Fair Trade or Betrayed?; CAFTA SI!; Promise of stability and prosperity

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The greatest opportunity to promote economic integration and political stability within the hemisphere in over a decade will soon be before Congress. But the fate of the Dominican Republic-Central America Free Trade Agreement is uncertain. Currently, a majority of members are presumed to oppose the agreement, impervious to history, beholden to short-term political calculation, or incapable of thinking outside the mercantilist box.

The agreement's passage would open markets to the region's exporters and make imports more accessible to the region's producers and consumers. It would encourage investment in worthy enterprises that currently lack for it; deliver more and inspire better products and services; and create wealth and better living standards throughout the region. The agreement also would help lock in and encourage further the political and social progress made in a region that was only recently a Cold War flashpoint, mired in dictatorship, civil war and despair.

Some critics argue that the six countries are too small to constitute a significant market for U.S. goods and services. But that doesn't square with the facts. The combined gross domestic product of the six countries at purchasing power parity was $ 204 billion in 2003, higher than the comparative figures for Chile, Singapore, Morocco and Jordan, all free-trade agreement partners of the United States. Together, the DR-CAFTA countries are the second-largest market for U.S. goods exports in Latin America, behind only Mexico.

And U.S. exports will only increase once the prevailing trade barriers are reduced or eliminated under the agreement. In the first year alone, over three-quarters of all U.S. products will have duty-free access, and regulations that have impaired U.S. service exporters will be eliminated or significantly curtailed.

But exports are only part of the picture. Another huge benefit would be improved access of U.S. producers and consumers to imports. Such access would help U.S. businesses become more competitive, and the burden of subsidization that American families are forced to bestow on domestic producers through current import barriers would be eased. That these effects should be considered "concessions" made for the benefit of exporting reflects a fundamental misunderstanding of the value of trade - one that protectionist interests perpetuate and exploit.

The U.S. sugar industry stands opposed, despite its demands having been met that the agreement not liberalize sugar trade in a meaningful way. Likewise, U.S. textile producers largely prevailed with their demands that duty-free access to the U.S. market extend only to clothing made from U.S. textile components, yet some remain opposed. It is more than unseemly that the trade policy of the world's richest country appears captive to interests that seek to deny its poorer neighbors the opportunity to realize their comparative advantages.

Other opposition is premised on the contention that the partner countries do little to enforce labor and environmental laws and that the agreement lacks sufficient safeguards to ensure better compliance. But according to an International Labor Organization survey, the constitutions and statutes of each CAFTA country are consistent with core ILO conventions covering collective bargaining, forced labor, child labor and workplace discrimination, and the agreement requires that the countries not backslide from those standards.

The agreement would encourage better labor and environmental conditions if for no other reason than pure economic self-interest. U.S. and other Western companies that might invest directly in developing countries cannot afford the stigma of association with sweatshops, smokestacks and the like. Accordingly, they tend to transfer technologies and production processes that are compliant with First-World standards and they pay better wages than the local average.

What Americans should be more concerned about are the consequences of failing to pass the DR-CAFTA. It would completely derail the Bush administration's trade policy agenda (a likely motivation of some in Congress) by sending a signal to the world that the United States is not serious about liberalizing trade. If North Dakota beet farmers cannot be disabused of their sense of entitlement to taxpayer bankrolling of their industry, how in the world can the broader agricultural reform required of the multilateral trade agenda be accomplished?

If the United States turns its back on its smaller neighbors, the rhetoric of anti-American populists in the region will have broader appeal - even some legitimacy. Venezuelan President Hugo Chavez is thought to be engaging in efforts to destabilize neighboring governments, and with his backing, the Sandinistas of Nicaragua - an old U.S. nemesis - are poised to return to power. Rejection of the agreement could push the region into closer economic cooperation with China and Europe, two trade powers that are actively trying to make inroads in the hemisphere. The United States could end up on the outside looking in.